

## Message Text

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70

ACTION EUR-25

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15 DRC-01

/187 W

----- 096913

R 162023Z AUG 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3107

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

USMISSION OECD PARIS

USMISSION EC BRUSSELS

USDOC WASHDC

UNCLAS SECTION 01 OF 02 LONDON 10537

DEPARTMENT PASS TREASURY AND FRB

E.O. 11652:N/A

TAGS:ECON, UK

SUBJECT: ECONOMIC DEVELOPMENTS - WEEK ENDING AUGUST 16

BEGIN SUMMARY: STERLING MOVED STEADILY DOWNWARD AGAINST  
THE DOLLAR THIS WEEK, FALLING A TOTAL OF 210 POINTS TO

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CLOSE AT \$2.3445 ON THURSDAY (AUGUST 15), ITS LOWEST LEVEL

SINCE MARCH. THE POUND'S EFFECTIVE DEVALUATION WIDENED THIS WEEK TO 17.6 PERCENT ON THURSDAY (AUGUST 15) AFTER HOVERING AROUND 17 PERCENT SINCE THE END OF JUNE. GOLD ROSE TO \$156.25 ON WEDNESDAY (AUGUST 14) BUT FELL BACK TO \$153 ON THURSDAY, \$1.50 UP ON LAST THURSDAY'S CLOSE. IN JULY, THE CURRENT ACCOUNT DEFICIT WAS 375 MILLION POUNDS, WITH A VISIBLE TRADE DEFICIT OF 478 MILLION POUNDS AND AN INVISIBLES SURPLUS OF 103 MILLION POUNDS. STATISTICS PUBLISHED AT THE BEGINNING OF THE WEEK INDICATE THAT PRODUCTION IS STAGNANT; RETAIL SALES-WHILE RECOVERING-ARE STILL DEPRESSED, AND WHOLESALE PRICES ARE CONTINUING TO RISE AT AN ANNUAL RATE OF 18 PERCENT. GROSS DOMESTIC PRODUCT IS STILL RUNNING AT WELL BELOW THE LEVELS REACHED IN THE LATTER PART OF LAST YEAR. A WHITE PAPER GIVING DETAILS OF THE GOVERNMENT'S PLANS FOR GREATER STATE INTERVENTION IN INDUSTRY WAS PUBLISHED ON THURSDAY, AUGUST 15.

1. STERLING FELL TO \$2.3445 ON THURSDAY, AUGUST 15, ITS LOWEST LEVEL AGAINST THE DOLLAR SINCE MARCH. THE WEAKNESS OF STERLING WAS DUE TO A NUMBER OF FACTORS INCLUDING THE WAR IN CYPRUS, POOR TRADE FIGURES FOR JULY, FALL-OFF IN DEMAND FOR STERLING TO MEET OIL PAYMENTS, AND STRENGTHENING OF THE DOLLAR. THE TRADE-WEIGHTED DEVALUATION AGAINST SMITHSONIAN RATES WIDENED TO 17.6 PERCENT ON THURSDAY (AUGUST 15) COMPARED TO 17.1 PERCENT A WEEK AGO. GOLD MOVED DOWN TO \$151.75 AT THE BEGINNING OF THE WEEK, ROSE TO \$156.25 ON WEDNESDAY (AUGUST 14) AND FELL BACK TO \$153 ON THURSDAY (AUGUST 15).

2. IN JUNE, THE UK DEFICIT ON CURRENT ACCOUNT WIDENED BY 1 MILLION POUNDS TO 375 MILLION POUNDS. THE VISIBLE TRADE DEFICIT IMPROVED BY 1 MILLION POUNDS TO 478 MILLION POUNDS --THE OIL DEFICIT WIDENING AND THE NON-OIL DEFICIT SHOWING IMPROVEMENT. THERE WAS AN INVISIBLES SURPLUS OF 103 MILLION POUNDS. (FOR DETAILS SEE LONDON 10347.)

3. FIGURES FOR INDUSTRIAL PRODUCTION IN JUNE SHOWED THAT OUTPUT OF MANUFACTURING ALONE ROSE ONLY SLIGHTLY IN JUNE TO 109.4 (1970100, S.A.) WHILE THE ALL-INDUSTRIES INDEX WAS UNCHANGED AT 108.7 (1970100, S.A.). ALTHOUGH THE UNCLASSIFIED

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RECOVERY OF OUTPUT FROM THE EFFECTS OF THE THREE-DAY WEEK BROUGHT A 5.5 PERCENT INCREASE IN THE ALL-INDUSTRIES INDEX BETWEEN THE FIRST AND SECOND QUARTER, PRODUCTION IN THE SECOND QUARTER WAS STILL RUNNING WELL BELOW THE LEVELS PRIOR TO THE MINERS' DISPUTE.

4. RETAIL SALES, WHICH ACCOUNT FOR ABOUT HALF OF TOTAL CONSUMER SPENDING, ROSE BY ABOUT 1 PERCENT BETWEEN JUNE

AND JULY. BUT AT 109 (1971100, S.A.) THE OFFICIAL  
VOLUME INDEX WAS STILL BELOW LEVELS OF EARLIER THIS YEAR.  
SALES IN APRIL-JULY AVERAGED 2-1/2 PERCENT BELOW THE FIRST  
QUARTER OF 1974.

5. WHOLESALE PRICES ROSE BY 1-1/2 PERCENT IN JULY. DURING  
THE SIX MONTHS UP TO AND INCLUDING JULY, THE INDEX ROSE  
14-1/2 PERCENT. HOWEVER, THE PRICES OF MATERIALS AND FUEL  
PURCHASED BY MANUFACTURING INDUSTRY ROSE ONLY FRACTIONALLY  
DURING JULY.

6. THE UK'S GROSS DOMESTIC PRODUCT, IN SPITE OF THE RE-  
COVERY AFTER THE THREE-DAY WEEK, IS STILL RUNNING WELL  
BELOW THE LEVELS REACHED IN THE LATTER PART OF LAST YEAR.  
GDP BASED ON OUTPUT DATA WAS 109.0 IN THE SECOND QUARTER

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CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

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DODE-00 PM-07 H-03 L-03 PA-04 PRS-01 USIA-15 DRC-01

/187 W

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R 162023Z AUG 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3108

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

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 USMISSION OECD PARIS  
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(1970-00, S.A.) COMPARED TO 106.8 IN THE FIRST QUARTER  
 AND 110.0 IN FOURTH QUARTER 1973.

7. WEDGWOOD BENN, SECRETARY OF STATE FOR INDUSTRY, GAVE  
 DETAILS IN A WHITE PAPER ON THURSDAY, AUGUST 15, OF THE  
 GOVERNMENT'S PLANS FOR GREATER STATE INTERVENTION IN IN-  
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DUSTRY. NATIONALIZATION OF THE SHIPBUILDING, AIRCRAFT,  
 (1970-100, S.A.) COMPARED TO 106.8 IN THE FIRST QUARTER  
 AND 110.0 IN FOURTH QUARTER 1973.

7. WEDGWOOD BENN, SECRETARY OF STATE FOR INDUSTRY, GAVE  
 DETAILS IN A WHITE PAPER ON THURSDAY, AUGUST 15, OF THE  
 GOVERNMENT'S PLANS FOR GREATER STATE INTERVENTION IN IN-  
 DUSTRY. NATIONALIZATION OF THE SHIPBUILDING, AIRCRAFT,  
 NORTH SEA OIL, AND PORT INDUSTRIES AND AN EXPANSION OF  
 STATE CONTROL OVER ROAD HAULAGE AND BUILDING ARE SAID, IN  
 THE WHITE PAPER, TO REPRESENT "THE WHOLE OF THE GOVERN-  
 MENT'S POLICY TOWARDS PUBLIC OWNERSHIP FOR THE NEXT  
 PARLIAMENT." IN ADDITION, A STATE HOLDING COMPANY, CALLED  
 THE NATIONAL ENTERPRISE BOARD, WILL BE SET UP WITH WIDE  
 POWERS TO TAKE SHAREHOLDINGS OF UP TO 100 PERCENT IN PRO-  
 FITABLE PRIVATE MANUFACTURING ENTERPRISES. (DETAILS WILL  
 BE REPORTED LATER.)

8. THE FORWARD DISCOUNTS ON STERLING WIDENED AT THE END OF  
 THE WEEK.

	8/8	8/15	CHANGE
1 MONTH	0.20-1/2	0.39	UP 0.18-1/2
3 MONTHS	1.12-1/2	1.40-1/2	UP 0.28
6 MONTHS	3.30-1/2	3.59-1/2	UP 0.29

(ALL FIGURES IN CENTS)

9. LOCAL AUTHORITY DEPOSIT RATES REMAINED RELATIVELY UN-  
 CHANGED THIS WEEK.

	8/8	8/15	CHANGE
1 MONTH	12-1/8	12	DOWN 1/8
3 MONTHS	12-15/16	12-7/8	DOWN 1/16

6 MONTHS 13-1/4 13-1/8 DOWN 1/8

10. EURODOLLAR RATES MOVED IN A MIXED PATTERN OVER THE WEEK.

	8/8	8/15	CHANGE
1 MONTH	12-3/8	12-5/8	UP 1/4
3 MONTHS	13	13-5/8	UP 5/8
6 MONTHS	13-1/5	13-5/8	UP 1/2

11. THE MINIMUM LENDING RATE REMAINED UNCHANGED AT 11-3/4 UNCLASSIFIED

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PERCENT ON FRIDAY, AUGUST 16, 1974.

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## Message Attributes

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**Copy:** SINGLE  
**Draft Date:** 16 AUG 1974  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
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**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 20 JUN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <20 JUN 2002 by reddocgw>; APPROVED <26 JUN 2002 by golinofr>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Subject:** ECONOMIC DEVELOPMENTS - WEEK ENDING AUGUST 16 BEGIN SUMMARY: STERLING MOVED STEADILY DOWNWARD AGAINST  
**TAGS:** ECON, UK  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005